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GENERAL

1. US Embassy Moscow questions reported Soviet plan of diplomatic action:

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In commenting on a recent  report concerning the Soviet plan for future diplomatic action (see Current Intelligence Bulletin 15

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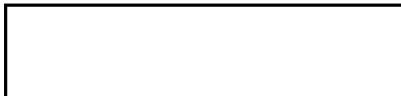
Feb 51), US Embassy Moscow expresses doubt that the USSR will denounce the military clauses of the Satellite peace treaties and that Poland and Czechoslovakia will break diplomatic relations with the West, since (a) a denunciation of the military clauses would invite the West to denounce similar clauses in the Italian peace treaty and the Potsdam Agreement, and (b) the current anti-Western campaign in Poland and Czechoslovakia is more probably designed to force the US to take the initiative in suspending relations. The Embassy points out that this technique was used in Bulgaria and that the USSR apparently feels it an advantage in its relations with Satellite peoples to make the suspension of diplomatic relations appear to have been initiated by the West.

Comment: Recent Soviet propaganda has charged that the Franco-Italian Santa Margherita conference dealt with liquidating the military clauses of the Italian peace treaty.

USSR

2. Ministry of Timber and Paper Industry reorganized:

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"Tass" has announced the division of the Ministry of the Timber and Paper Industry into two ministries, one headed by Georgi Orlov and the other by Ivan Voronov.

Comment: In two respects this action is similar to the recent reorganization of the Ministry of Metallurgy: it restores the organizational form that existed during World War II and up until April 1947, and it involves no radical shift in personnel (Orlov

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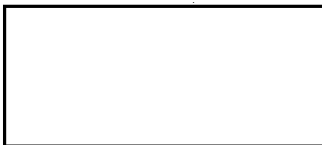


was minister of the combined organization and Voronov one of his deputies). The move was probably prompted by a need for greater efficiency, as the Ministry of the Timber and Paper Industry has a long record of failing to meet plan quotas.

EASTERN EUROPE

3. All Satellites have trade delegations in Moscow:

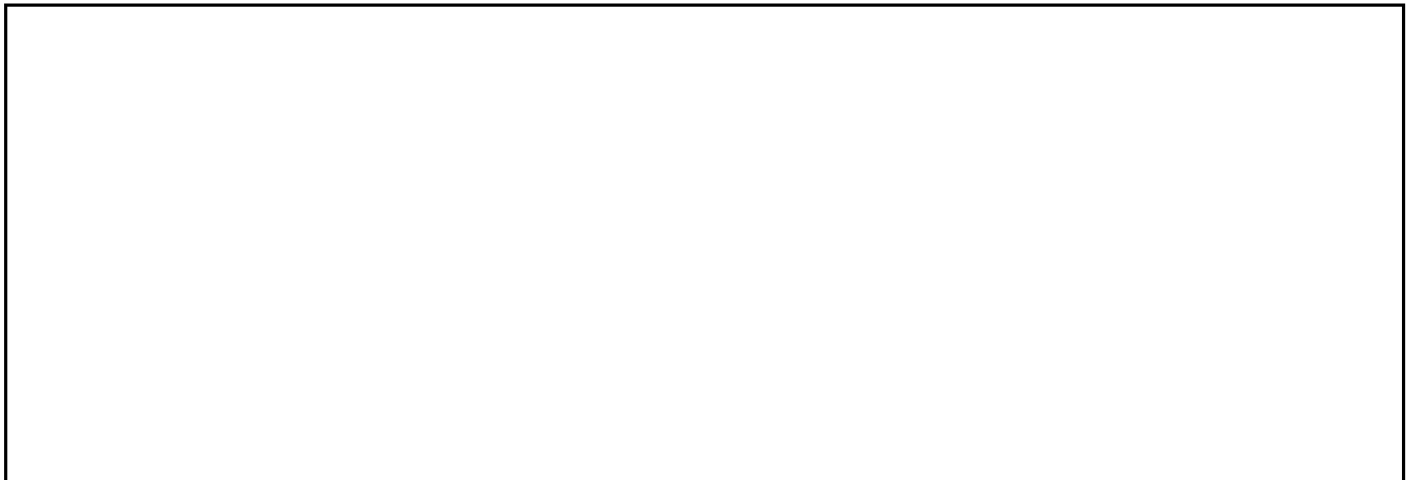
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US Embassy Moscow reports that all Eastern European Satellites now have special trade delegations in Moscow, probably for the purpose of working out multilateral trade arrangements in line with the progressive integration of the Soviet economic bloc, rather than drawing up new bilateral agreements or routine supplements to long-term pacts.

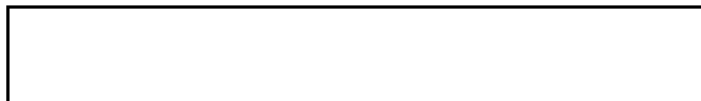
Comment: In early 1950 there was a similar gathering of Satellite foreign trade representatives in Moscow, presumably in connection with the Soviet-inspired Council for Economic Mutual Assistance. Since an announcement of the fifth Soviet Five Year Plan may soon be forthcoming, it is possible that fairly long-term objectives will be laid down during this year's discussions.

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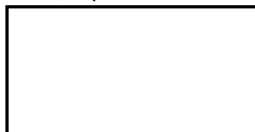
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7. French fear German insistence on full sovereignty:

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Recent conversations with German officials have reinforced French Foreign Ministry fears that Chancellor Adenauer may demand full sovereignty before making any commitments on West German defense contributions. The French recommend an early US request for a German proposal on contractual arrangements, to be followed by a tripartite statement on the question of sovereignty in order to counteract what the French consider a "dangerous drift" in the Federal Republic's position.


Comment: The French have heretofore recommended placing all reserved powers on a contractual basis, but are firmly opposed to a transfer of complete sovereignty. Although the Germans will hold out for substantial concessions on political and industrial controls, Adenauer may not insist on the transfer of full sovereignty unless internal SPD opposition forces such a stand.

8. Italians challenge AMG authority in Trieste:

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 reports accumulating evidence that the Italian Government has in effect adopted the thesis which holds that Italian sovereignty still extends over Trieste, while the Allied Military Government has only limited occupying authority. Over the past six months, this policy has been asserted on numerous questions involving the issue of sovereignty. Most recently, the Italian Mayor of Trieste, with the support of the Italian Mission there, has challenged the Allied

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Military Government's authority and implied that future activities of local pro-Italians will be guided by the thesis of Italian sovereignty. Allied Commander General Airey, who feels the situation is becoming "intolerable," has asked that a joint US-UK demarche be made to the Italian Government urging it to abandon a policy which is dangerous and "both legally and politically indefensible."

Comment: The Italian Government's increasingly overt attempts to assert its sovereignty in Trieste are probably motivated by growing indications that public sentiment in Trieste favors maintenance of the status quo in the city rather than a return to Italian economic and political controls, and by fears that the tripartite proposal of 1948 advocating return of the whole Free Territory to Italy has been jettisoned in favor of a compromise with Yugoslavia.

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